

Message Text

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ACTION EB-08

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INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
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FM AMEMBASSY STOCKHOLM

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INFO AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY BERN

AMEMBASSY VIENNA

AMEMBASSY OSLO

AMEMBASSY REYKJAVIK

AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BELGRADE

USMISSION EC BRUSSELS UNN

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UNCLAS STOCKHOLM 1181

E.O. 11652: N/A

TAGS: ETRD, SW

SUBJECT: SWEDEN'S SPECIALTY STEEL INDUSTRY EXAMINED

1. AMONG SEVERAL SWEDISH INDUSTRIES CURRENTLY SUFFERING FROM

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HIGH COSTS AND INADEQUATE SALES IS THE SPECIALTY STEEL INDUSTRY.
LAST FALL THE FALLDIN GOVERNMENT NAMED A FORMER UNDERSECRETARY
OF INDUSTRY IN THE PALME GOVERNMENT, TONY HAGSTROM, TO PREPARE
AN ANALYSIS AND RECOMMENDED RESCUE MEASURES FOR THIS PART OF
SWEDEN'S STEEL INDUSTRY. HAGSTROM'S UNCLASSIFIED REPORT
WAS RELEASED MARCH 16 AND SPOKESMEN FOR THE GOVERNMENT,
THE INDUSTRY AND UNIONS HASTENED TO CAUTION IT WAS BUT

A PRELIMINARY LOOK AT THE INDUSTRY'S PROBLEMS AN INITIAL POINT FOR A GENERAL DEBATE BY INTERESTED PARTIES. CONSEQUENTLY, GOS ACTION TO ASSIST THE INDUSTRY IN ONE WAY OR ANOTHER LIES SOME DISTANCE AHEAD ON THE CALENDAR.

2. HAGSTROM'S INDICATORS OF THE INDUSTRY'S ILLNESS ARE A FIVE-YEAR RATE OF RETURN OF 3.3 PERCENT ON INVESTED CAPITAL, LOSSES OF 500 MILLION SKR IN 1976, AND PROSPECTS FOR THE SAME LOSSES THIS YEAR. HAGSTROM, A SOCIAL DEMOCRAT AND FORMER OFFICIAL, AS INDICATED ABOVE, SAID HE HAD NOT BEEN AWARE OF THE PRECARIOUS STATE OF THE INDUSTRY.

3. THE PROBLEMS FACING THE INDUSTRY ARE LARGELY THOSE OF STIFF COMPETITION FROM JAPAN, THE UK AND CERTAIN OTHER EC MEMBERS, COMBINED WITH SWEDEN'S HIGH COSTS AND A WORLD MARKET SITUATION WHICH IS LESS BUOYANT THAN EXPECTED. OF 36,000 EMPLOYEES IN THE SPECIALTY STEEL INDUSTRY, HAGSTROM ESTIMATES AS MANY AS 5,000 MAY NEED TO BE DISCHARGED. HE FORESEES EXTENSIVE GOS SUPPORT FOR STRUNTURAL CHANGES, SHUT-DOWNS, AND INVESTMENT IN NEW PRODUCT DIRECTIONS. IF SPECIALTY STEEL PRODUCERS, OR SOME OF THEM, ARE TO SURVIVE, HAGSTROM URGES SHIFTS, INTER ALIA, TO PRODUCTION OF HIGHLY SPECIALIZED "LOW VOLUME" PRODUCTS AND CONSOLIDATION OF FACILITIES FOR THE "HIGH CLASS, HIGH VOLUME" ITEMS. "COMMERCIAL" QUALITY STEEL OUTPUT WITHIN THE SPECIALTY STEEL GROUP MUST BE DROPPED ALTOGELTHER. HAGSTROM INDICATES CERTAIN

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DESIRABLE MERGERS, APPARENTLY WITHOUT MUCH PRIOR CONSULTATION WITH THE COMPANIES INVOLVED.

4. MINISTER OF INDUSTRY ASLING, ASKED FOR COMMENT, ASSURED LISTENERS THAT HAGSTROM'S REPORT WAS ONE MAN'S OPINION AND EXTENSIVE CONSULTATIONS WOULD BE UNDERTAKEN WITH THE INDUSTRY AND UNIONS. THE FINAL RESTRUCTURING WILL BE WORKED OUT BY THEM WITH GOS SUPPORT MEASURES, INCLUDING REGIONAL ASSISTANCE WHERE WORKER DISCHARGES WILL BE FELT.

5. COMMENT. A MORE DETAILED PRESENTATION OF THE REPORT AND THE DEBATE WHICH ENSURES WILL BE INCORPORATED IN THE EMBASSY'S FORTHCOMING INDUSTRIAL OUTLOOK REPORT ON THE IRON AND STEEL INDUSTRY.
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
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